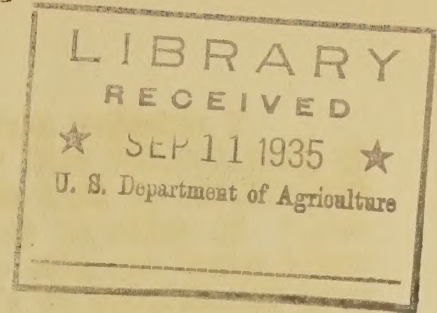


1194
482 Pro

PROGRESS IN ADJUSTED COTTON UNDER THE
AGRICULTURAL ADJUSTMENT ACT

Address by Cully A. Cobb,
Director, Division of Cotton.



On August 26, 1933, just two years ago, it was my privilege to appear here and congratulate the farmers of Arkansas and her neighbor States for the very effective part they had played in making the blow-up program the most complete and the most dramatic success ever attending any effort at crop adjustment. It was my privilege also to bring you direct words of appreciation from the President and from Secretary Wallace. After congratulating the farmers for the success of the initial step at cotton adjustment, the President urged that "nothing be left undone to make the program completely successful." And the Secretary said "the action of the cotton farmers lays a foundation of confidence under the entire Agricultural Adjustment program." The President and Secretary Wallace along with all the rest of us were deeply grateful for the manner in which the farmers accepted the opportunity offered them to lift themselves up from the depths into which they had been plunged in that long downward slide that had its beginning immediately after the World War, and its close with the collapse in 1932. I remember well how rejoiced you were when I was here before, and how I rejoiced with you in what then seemed to be the brighter day ahead. I believe every promise then made and every expectation has been fulfilled, even more completely than anybody would have believed.

Cotton at that time had risen from a low of 5 to 6 cents in the early months of the year to between 8 and 10 cents. Since then we have seen it come on up from \$37.42 per bale including seed, the price the farmers received for the crop of 1932, to \$90.82 per bale, which represented the total receipts from all sources for the crop of 1934. We have seen the world carry-over of American cotton that stood then at 13 million bales pulled down to approximately 9 million bales as of August 1 this year. And we have seen the value of the crop rise from \$484,000,000 in 1932 to \$884,000,000 in 1934, and now the prospect is for a billion dollar crop this year. Thus it is that today we have in sight more than twice as many dollars for a crop of 11,798,000 bales, as was received for the 17 million bale 5-cent crop of 1932, and with it a free movement of the crop into the channels of trade.

To put it another way, an estimate of the gross and cash income from cotton and cottonseed for the current season indicates that there will be an increase of about 16 percent over the last season. As the prices of goods purchased by cotton farmers will not be appreciatively higher, this is an indication of a vastly increased net buying power, and should lead to further liquidation of old debts and continued and increasing demand for all the things the cotton farmers have had to do without during their lean years.

I remember saying to you that "during the next 20 days approximately \$109,000,000 will be distributed throughout the Cotton Belt, and that \$24,000,000 of this amount would come to Arkansas, Mississippi and Tennessee." In spite of the fact that a great many of you were told that you would never see your checks, you farmers in Arkansas not only received your \$10,828,000 of the rentals and benefits paid out in 1933, but you have received \$14,670,000 since then, totaling \$25,498,000. And when the present year is over your receipts will move on up to \$34,251,000. For Arkansas, Mississippi and Tennessee the total receipts from rentals, benefits and profits on options, which you have received and will receive under the present year's contract, will amount to approximately \$97,328,000. All the time the price of cotton has been moving up, or has held steady.

We have seen a situation of despair--the situation that prevailed throughout the country in the spring of 1933--translated into one of buoyant hope. And we have seen countless thousands of debts settled that few believed three years ago would ever be paid. The same thing has been true of taxes, and there is not a business concern so insignificant within the confines of the Cotton Belt that has not felt the return of better times. That has all happened since we gathered here on that hot August day in 1933.

Between that day and this a new chapter has been written into the history of agriculture--a chapter that is full of acts of courage, of sacrifice, of progress, and, above all, a chapter that has been filled with clear and unselfish thinking.

We have come now to that particular point in our program in adjustment when it is not only proper, but absolutely necessary, to stop and reexamine the whole problem, and particularly those problems with which we are immediately to be confronted if we are to make secure the advances that have been made since that black Saturday in 1933 when the wreckage of the previous year and the years before was turned over to the present administration.

Besides what I have already said, I should like to emphasize what to me is the most significant fact apparent in the economic situation since March 3, 1933. You will recall that every bank within the confines of the Nation was closed that day. Perhaps nothing is more significant today than the fact that of the 4,500 banks which were not licensed to resume business in March, 1933, only 60 remain closed on August 1 this year. Bank failures have reached the lowest point since the World War, and perhaps an all-time low.

Of course all industry was in distress then. At no point was distress more acute than on the farms of the Nation. The farmers had seen the prices of their products decline to the lowest levels in industry. They had witnessed with heart-breaking experience foreclosures mount to the highest record ever known. Looking back to that day we can see how far we have come and how grateful we should be for the progress that has been made.

What has happened in the rise of the price of cotton has happened in the case of corn and hogs, wheat and other crops, and, lest we forget, it is well enough to remember the very important fact that the rise out

of the wreck due to bankruptcy prices of the early '30's to a position where we can at least see daylight again is due to a farm program that, in the first place, was honestly designed to work, was intended to work and that was worked. It has worked because it was a program developed by farmers for farmers.

At this point I should like to say that so long as those of us who are now connected with the program have anything to do with it, it will continue to be a program by and for farmers. I should like with all emphasis to say also that when changes are made they will be made by the farmers themselves out of their own experience, and that they will not be changes made for farmers by those who have lived off the farmers in the past. The purpose of this program is to increase the purchasing power of farmers. It's a program, therefore, that must be concerned with that task and that task alone.

A chief task of the present and immediate future is to keep our forces together. We must keep them together in Arkansas, and we must keep them together elsewhere. And let it be understood that this program is as deeply concerned about the man who produces one bale of cotton as it is about the man who may produce a hundred bales.

At no time in the history of this country has more determined effort been made than is now being made to drive wedges between groups and between sections. This is being done deliberately for the purpose of destroying cooperation between groups and between sections. It is being done just as deliberately to destroy the unanimity of opinion and effort so necessary if American agriculture is to secure at the hands of its Government the justice to which it is entitled, and to which every administration since I can remember has subscribed; but which the present administration has not only put into effect, but is determined to carry through. The present administration is determined to carry it through in a manner that will guarantee to the farmers that equality with industry and with other groups about which he has heard all his life, and about which so little was done until the present administration took charge on March 4, 1933.

Here in the Cotton Belt the opposition is now concentrating its forces on driving a wedge between business and agriculture and between the Western end of the Cotton Belt and the Eastern end of the Cotton Belt. The opposition is saying that the cotton program has thrown hundreds of thousands out of work, and has had the result of destroying foreign markets. I should like to brand these statements as utterly false, and to say that they are known to be so by those who know the facts. Instead of throwing hundreds of thousands out of work, the program has had the effect of releasing countless thousands of women and children from the cotton fields. You will find those grateful mothers throughout the whole State at the present time, and you will find them engaged in the happier and, I think, more fruitful task of making better homes and laying a foundation for the development of better men and better women, and eventually a finer citizenship. This fall you will find countless thousands of children appearing at the school houses throughout your State, and throughout all the States of the Cotton Belt, for the first time on the opening day.

The crop insurance feature under the Bankhead Act held thousands of farmers off the relief rolls who, except for the fact that they were able to translate certificates they could not use into cash, would have been driven into bankruptcy and out of their homes. This very same crop insurance feature that has worked with such astonishingly helpful results where the crop was not so good, at the same time was a guarantee of price where the crop was abundant. Consequently, all have benefited.

As to our foreign markets, there are those who are urging the farmer to produce without limit and without regard to what he gets, that more cotton may be shipped abroad. I have already said we have not lost our foreign markets, and am prepared to stand by that statement. Exports have declined. They are off by 36 percent as compared to what they were during the season prior to that just closed. But foreign consumption of American cotton is off only 25 percent. During the two years, 1931-1932 and 1932-1933 we shipped abroad the huge total of 17 million bales of cotton and received the munificent price of 6-1/2 cents for the same. Those who now complain about volume did not, then, complain about price. Somehow, they seem to be unconscious of what the farmers were getting. Our foreign customers have been content to draw upon these huge and cheap supplies to which they added another seven and a half million bales during the season of 1933-1934. They have been told by their contacts in this country that our program was a crazy affair; that it would soon go to pieces. To them this meant an abundant supply of cheap cotton again. So they have waited. In passing I should like to say that our program has not gone to pieces, nor is there any prospect that it will.

It should be pointed out that decline in exports was in a large way due to exchange difficulties to which there seems to have been no answer, and, too, tariff difficulties for which our own nation is as much responsible as any other or more so. I think the doctrine still holds that you cannot sell where you do not buy. The situation in many cases is such that we cannot buy, and history tells us that we cannot sell except to those from whom we buy.

As to exports generally, it is important to point out that exports of everything else have declined as much or more than cotton. It might be true in certain instances that we could have exported two bales of cotton at 6 cents where we have exported one at 12 cents, but who wants to link his destiny and that of his family to 6-cent cotton?

Those who point out the dire consequences of lost exports are saying in the same breath that Texas and Oklahoma are the States that are suffering because of this loss. And they have noted that Arkansas is responsible for a great many bales of cotton shipped through the Western Gulf ports. The reason they give is that these States at the Western end of the Cotton Belt are the States that supply the principle cotton for export. They fail, however, to point out the very important fact that every bale of cotton wherever produced is the competitor of every other bale, and that the problem of over-production in the United States, cannot be solved in Texas and Oklahoma, or in the Western end of the Belt or in the Eastern end of the Cotton Belt. They refuse to recognize the fact that the destiny of every producer in the Cotton Belt is tied up with the destiny of every other producer. The fact is, we go up or we go

down together. If the Western end of the Belt fights the Eastern end of the Belt, or the Eastern end fights the Western end, we are through. The opposition is aware also of the fact that we cannot have an agricultural program for cotton alone; that to have a national agricultural program that is of any value at all, it must be for all farm groups. That was among the more important reasons for the bitter and relentless attack upon the AAA amendments. The enemy realizes also that there must be unity of effort, as between the farmers of every community, every State and every section. They would pit farmer against farmer, race against race, community against community, State against State, and section against section if they could. I am astonished at some of their efforts to that end. Being what I believe to be a good American citizen, I cannot understand their tactics. Nothing would more quickly destroy all opportunity for success than the divisions they would create.

The farmers of the North, of the South, and of the East and of the West must stand together. If the farmers of the whole nation stick together and fight as one man for a square deal, nothing can stop them, and eventually they will get it. If they do not stick together nothing can be won, and we will quickly revert to the helpless condition that had become increasingly acute for a century or more, and that finally drove us down and down to ruin at the end of 1932.

Now, I am using language here that I think is plain enough to be understood, I would urge that understanding is what we all need most at the moment. "With all thy getting get understanding." The older I get the more convinced I am of the wisdom of that statement, and it goes for all our business men as well as for our farmers. We are neighbors with each other, and citizens of a common country. We cannot, therefore, escape our responsibility at this point. Each of us needs to understand the workings of the various programs. We need to understand the workings of these programs, and their results so completely that we can answer whether it be an opposition of pure sophistry, an opposition based upon ignorance, or an opposition based upon a cold-blooded and ruthless self-interest.

I wish here to commend the very effective beginning that has been made to more fully acquaint the farmers and the public generally with those particular adjustment programs in which we at first hand are interested. I wish to commend your leaders, also, for their efforts in bringing about more complete understanding of the entire program. Nothing has been more gratifying than the realization that during recent months the agricultural public of the whole country is coming fully to understand that the destiny of every farmer wherever he may live is irrevocably bound up in the destiny of every other farmer; that there are broad national policies that reach down deep below the surface of things to the very bottom of our economic structure. We are realizing that these policies have a deciding influence upon whether it will be profitable to produce potatoes in Maine, peanuts in Georgia, cotton in Louisiana, wheat in Kansas or apples in Washington. A little while ago many business men were saying all manner of critical things about the cotton and other programs. With the rising tide of better business and the definite promise of better days, they have come to realize they were wrong. The hopeful thing is that they are not only willing to admit they were wrong, but are doing what they can to help

consolidate and make secure the gains that have been made.

These two years of the Agricultural Adjustment Administration have been two years of the most intensive study on the part of farmers here in the United States ever experienced by any group of agricultural producers anywhere in the world. Out of these two years of intensive study has come a clearer and more definite understanding of the way things have worked, and particularly of how things have been worked to the very grave disadvantage to farmers in the past. In this fact lies the greatest opportunity our experiment stations and other institutions of similar character have ever had for constructive service.

In recent months we have seen a most terrific onslaught upon our agricultural program. In the main, it has come from those who have profited at the expense of agriculture in the past, and who will continue to do so if they can. But it is my guess that "thumbing a ride" will not be so easy in the future as it has been in the past. The chief attack has, of course, been made upon the processing tax, the very corner stone of our adjustment program. It is particularly true in the case of cotton that the attack upon the processing tax has come from those who have lived behind tariff walls created for their special benefit many generations ago, and who through these generations have drawn upon the entire American public for the subsidies they have enjoyed. The processing tax is nothing more nor less than a farm tariff, and when the processing tax goes the tariff must go that same day. There can be no compromise of this point.

There are those in the textile industry who--with very poor grace, I think,--insist that the processing tax is ruining their business. It is not only not the truth, but is the equivalent of saying that the farmer must take 4.2 cents per pound less for his cotton than the price to which he is entitled. To insist that the processing tax cannot be paid is to insist upon a double subsidy, a subsidy in the first place in the form of tariff protection, and in the second place a subsidy in the form of a sacrifice on the part of the farmer of 4.2 cents per pound for the raw cotton they use. Yet he is entitled to that 4.2 cents. I would point out that this 4.2 is merely the difference between what the domestic price should be if the farmer is to have equality of buying power and what the price is in the open markets of the world.

Just 106 years ago John C. Calhoun pointed out at the Cotton Exposition in South Carolina that the cotton farmer was suffering an insuperable handicap in the fact that he was being compelled to buy everything at high prices behind the tariff walls, and sacrifice his products in the open markets of the world at world prices. He said that system offered an insuperable handicap. It has drained away the resources of agriculture for over a hundred years since. Up to the spring of 1933 nothing was done for the cotton farmer, or for agriculture as a whole to correct it. Now that substantial adjustment in production has been achieved, and some measure of justice attained, the South must decide whether part of the price it must pay for continued domination of the world's cotton trade must not also include such a management of the tariff as will enable the world to pay for the cotton which it would like to buy from the South.

Effort to destroy the program has taken every possible form known, and has employed every known device. Finding that no headway could be made with the President--that he was determined to carry out his pledge to agriculture--as this is written the opposition is concentrating upon Congress, and you may be sure that your Senators and Representatives have been subjected to every type of pressure conceivable. Those of them who have stood fast have done so out of an uncompromising loyalty to the pledge of the administration and to your great basic industry, agriculture.

Recently the good offices of the Constitution have been invoked as the chief weapon of the opposition. This was to be expected. If memory serves me right, and I am rather certain that it does, President Buchanan when presented with the first Land Grant College Act, said the field was already occupied, and that on that score there was no use for colleges of agriculture. He added, "of necessity such schools would fail of their purpose", and concluded by saying that the whole thing "is unconstitutional anyway". That was in 1859. In 1861 President Lincoln signed the same sort of a document. It has not only developed that the field was not occupied and that the idea was not at all unconstitutional, but that there was abundant opportunity for service. Indeed, no institution has served the nation with greater efficiency and greater effectiveness than has our Land Grant College system of which your Experiment Station here is an integral part. And so it goes.

That it has been necessary to amend the Constitution some twenty times in order to make it more of a document of all the people and one under which we could live, renders it none the less sacred than it was in the beginning. I am wondering if it became less sacred when our sisters and mothers were given the right to vote, or when seats in the United States Senate were taken off the auction block. The same questions, I judge, may be asked about the other amendments. The Constitution must continue to be a document under which we can live and move forward. Not only that, but it must be a document under which all groups can live in a manner that will offer equality of opportunity to all and special privilege to none. Judge Martin, in the very able opinion he rendered in Memphis a little while ago, believes it is such a document now. I, too, am convinced that it is.

However that may be, certainly no one can subscribe to the doctrine that the Constitution is a document that was intended to be so interpreted as to prevent us from doing anything at all about anything at any time. If it turns out that agriculture simply cannot have equality with other groups as the Constitution now stands, that is, does not lend itself to such interpretations as will vouchsafe such equality, then as a matter of justice--to say nothing of national security--there must, of course, be such amendment as is necessary to render it an instrument of the living present instead of a thing of the dead past. At any suggestion that such change be made as may be necessary to give the farmer a fair chance, we will see countless hands held up in horror; no doubt in the main, hands that have been warmed at the first of special Government favors and special privileges throughout the generations of the past. You will hear much about State's rights, but I am persuaded that if you analyze these "State rights" you will discover that they are not of the type that will guarantee to the citizens of this State who produce cotton the same rights enjoyed by the

subsidized cotton manufacturers of New England where cotton is manufactured into cloth behind tariff walls that have "protected" the people of that community, even since before Mr. Calhoun's day. The sort of State's rights to which the people of this State are entitled are the dollar for dollar rights that will guarantee equality of opportunity to them. In the past about all the right they have had was to create wealth, the major portion of which went for the enrichment and enjoyment of others. Above all, what we need is the right of each State to cooperate with every other State in the formulation and promulgation of a national program and a national policy for the advancement of all the people. No honest man would deny that right or quarrel with that sentiment.

The result at the end of 1932 would indicate how much right the farmers have had in the past to plan their security. If the situation prevailing as of January 1, 1933, was of the deliberate planning of farm people, then they neither planned intelligently nor wisely. The fact is, however, they had precious little--almost nothing at all--to do with the planning that brought this nation to the very brink of utter collapse in the early months of 1933. So when you are listening to what is said about the sacredness of the Constitution and what we are now trying to do to correct the mistakes of the past, you may profitably recall the facts I have just pointed out.

We are being told what a bulwark of safety the Supreme Court is, as if the thought were new. That the Supreme Court is a most important tribunal is not debatable. There are those, however, who are not at all too friendly to the present program, and yet who wonder if all question as to the constitutionality of any particular measure is removed in a 5 to 4 vote of the Supreme Court. They are asking if it would not be much safer if a two-thirds majority were required as the basis for decision. Certainly decision in very important matters should be overwhelmingly one way or the other. But the fact that the Court is frequently by no manner of means unanimous in its decision indicates that after all it is made up of human beings. If a two-thirds majority were required to invalidate an act of Congress, the argument so often advanced that the Court is as much or more a legislative than a judicial body would certainly be less impressive.

Certain it is that we cannot, as a nation, go on with the sort of national policy which culminated in the collapse of 1932. We can no more live half slave and half free now than we could before the Civil War. What in simple justice agriculture is seeking and must have is a freedom that will grant it equal opportunity with other groups--a freedom to which it is entitled and is all it asks. This freedom is the very basis of our present program and there can be no turning back.

You are wondering about the future. For the present year the die, of course, is cast. The program has been written into upward of a million contracts between cotton producers and their Government. That these contracts are being faithfully carried out by the producers is evident on every hand. That the Government will carry out its every pledge is not open to question. Due to our program, the prospects as we are gathered here today are for a better than fair cotton crop this year. And again

due to our program, the prospects are for another season of fairly satisfactory prices.

The objective of our adjustment program in the beginning, as written into the Agricultural Adjustment Act was, "to establish and maintain such balance between the production and consumption of agricultural commodities and such marketing conditions therefor as will reestablish price to farmers at a level that will give agricultural commodities a purchasing power with respect to articles farmers buy, equivalent to the purchasing power of agricultural commodities in the base period." That is our objective now. In short, the policy as applied to cotton and all other crops is to establish an even balance between supply and demand and to maintain that balance for the very definite purpose of increasing agricultural purchasing power. The AAA program is not a social reform society, neither is it a religion, nor is it a political party. It is open to every man that produces a pound of cotton, and its objective, I would emphasize, is to increase the value of this cotton. How well we have succeeded, I would emphasize again, by pointing out the fact that we have seen a rise in the value of a bale of cotton including seed from \$37.42 for the crop of 1932 to better than \$90.82 for the crop of 1934, and we can view the prospects for this fall with a good deal of satisfaction. We could even do that back in the spring when, for the first time in the history of the Cotton Belt, those who produced cotton had some idea of how the year's work would turn out. I am not going to take time to discuss it, but that is a mighty important point. It is also mighty important that some \$40,000,000 in rentals came in to the Cotton Belt this spring in time to be used for producing the crop. In simple language that meant that we were at least \$40,000,000 on our way toward putting cotton production on a cash basis. What a blessing it will be when we can pay as we go. There is a rust that attacks wheat that is called "take all". That's what producing cotton on credit does.

As to 1936 and the years beyond, the program is now in the making. Further attempt will be made to eliminate inequities, injustices and other of the undesirable features that have been discovered in the program up to the present time. While we are happy over the progress that has been made, none of us have any pride of authorship in the details of the plan. We are ready to scrap any part when we can find another that will work better. What we are trying to do is to discover any and every thing that is wrong with the plan as it has been developed, and then work out ways and means to correct those things that are wrong. The program has not been a perfect one. In my judgment, it will take many more years of trial and error and of experience even to approach that degree of perfection that will bring satisfaction to all. But we are on our way to a better program, and just as assuredly on our way to a better day. And the program will continue to be a program by and for farmers as it has been in the past.

